Government of
Saskatchewan

2006
Annual Report

Saskatchewan Power
Severance Pay Credits
Plan

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Saskatchewan
Finance

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Sir:

Letter of Transmittal

I have the honour to transmit herewith the Annual Report of the Saskatchewan Power Corporation Severance Pay Credits Plan for the year ending December 31, 2006.

I have the honour to be, Sir,

Your obedient servant,

Andrew Thomson
Minister of Finance

Saskatchewan
Public Employees
Benefits Agency

The Honourable Andrew Thomson
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the Saskatchewan Power Corporation Severance Pay Credits Plan for the year ending December 31, 2006.

Respectfully submitted,

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Saskatchewan Power Corporation
Severance Pay Credits Plan

Introduction

The Saskatchewan Power Corporation (SaskPower; the Corporation) established the SaskPower Severance Pay Credits Plan (the Plan) for the purpose of providing severance benefits to SaskPower employees.

The Plan is not registered as a pension plan under the *Income Tax Act (Canada)*. The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the Participants. Benefits are funded out of current operations of the Corporation.

On January 13, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan.

Participants

The Plan consists of International Brotherhood of Electrical Workers (IBEW), Communications, Energy and Paperworkers Union (CEP), and Management employees. As of September 30th, the following number of participants were eligible to receive benefits from each type of severance benefit payable under the Plan.

Benefit Type	# of participants
Pre-1996*	1,210
Post-1995*	362
Pre-2005**	639
Post-2005**	31

* Includes both IBEW and Management employees
** Includes CEP employees

Benefits

The following describes the various types of severance benefits payable on retirement, termination or death for all Participants under the Plan:

a) Pre-1996 severance pay credits are benefits provided to IBEW and Management employees for company service time prior to January 1, 1996.

b) Post-1995 severance pay credits are benefits provided to IBEW and Management employees for company service time after January 1, 1996.

c) Pre-2005 severance pay credits are benefits provided to CEP employees for company service time prior to February 1, 2005.

d) Post-2005 severance pay credits are benefits provided to CEP employees for company service time after February 1, 2005.

e) For those employees who voluntarily opted out of the Millennium Registered Retirement Savings Plan (MRRSP) due to insufficient RRSP contribution room, any eligible company service will be paid out under the provisions of the Plan document.

Each Participant receives 5 days per year of service at their hourly rate of pay in effect at retirement, termination or death based on the number of hours worked per day.

Upon termination of active service, Participants elect how severance benefits are to be paid. In the event of termination of service, SaskPower, on behalf of the Plan, may pay a Participant's severance benefits in a lump sum. However, in no circumstances shall benefits under this Plan be paid over a period exceeding 5 years.

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the Saskatchewan Power Corporation Severance Pay Credits Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Saskatchewan Power Corporation Severance Pay Credits Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

We enclose the financial statements of the Saskatchewan Power Corporation Severance Pay Credits Plan for the year ended December 31, 2006 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Kathy Morgan
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
February 15, 2007

SASKATCHEWAN POWER CORPORATION
SEVERANCE PAY CREDITS PLAN

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

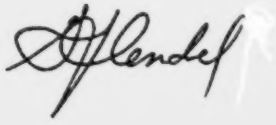
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits and accrued benefits obligation and surplus of the Saskatchewan Power Corporation Severance Pay Credits Plan as at December 31, 2006 and the statement of changes in accrued benefits obligation for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued benefits obligation and surplus of the Plan as at December 31, 2006 and the changes in net assets available for benefits and changes in accrued benefits obligation for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
February 15, 2007

Fred Wendel, CMA, CA
Provincial Auditor

SASKATCHEWAN POWER CORPORATION **STATEMENT 1**
SEVERANCE PAY CREDITS PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS OBLIGATION AND SURPLUS

AS AT DECEMBER 31

	(in thousands)	
	2006	**2005**
ASSETS		
SaskPower contribution receivable (Note 3)	$ 31,091	$ 29,149
Total assets	31,091	29,149
NET ASSETS AVAILABLE FOR BENEFITS	31,091	29,149
Accrued benefits obligation (Note 3)	31,091	29,149
SURPLUS	$ ---	$ ---

(See accompanying notes to the financial statements)

SASKATCHEWAN POWER CORPORATION **STATEMENT 2**
SEVERANCE PAY CREDITS PLAN
STATEMENT OF CHANGES IN ACCRUED BENEFITS OBLIGATION

YEAR ENDED DECEMBER 31

	(in thousands)	
	2006	**2005**
INCREASE IN ACCRUED BENEFITS OBLIGATION		
Interest on accrued benefits obligation	$ 1,216	$ 1,381
Changes in actuarial assumptions	1,219	517
Actuarial losses	1,158	-
Benefits accrued	85	85
Total increase in accrued benefits obligation	3,678	1,983
DECREASE IN ACCRUED BENEFITS OBLIGATION		
Employee termination benefits	1,241	1,754
Changes in actuarial assumptions	495	1,704
Actuarial gains	-	862
Total decrease in accrued benefits obligation	1,736	4,320
Net increase (decrease) in accrued benefits obligation	1,942	(2,337)
ACCRUED BENEFITS OBLIGATION, beginning of the year	29,149	31,486
ACCRUED BENEFITS OBLIGATION, end of the year	$ 31,091	$ 29,149

(See accompanying notes to the financial statements)

SASKATCHEWAN POWER CORPORATION
SEVERANCE PAY CREDITS PLAN
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

1. Description of the Plan

The Saskatchewan Power Corporation (SaskPower; the Corporation) established the SaskPower Severance Pay Credits Plan (the Plan) for the purpose of providing severance benefits to SaskPower employees.

The Plan is not registered as a pension plan under the *Income Tax Act (Canada)*. The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the Participants. Benefits are funded out of current operations of the Corporation.

On January 13, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan.

The following description is a summary only. For more complete information, reference should be made to the Plan document.

Participants

The Plan consists of International Brotherhood of Electrical Workers (IBEW), Communications, Energy and Paperworkers Union (CEP), and Management employees. As of September 30th, the following number of participants were eligible to receive benefits from each type of severance benefit payable under the Plan.

	2006	2005
Pre-1996*	1,210	1,252
Post-1995*	362	304
Pre-2005**	639	656
Post-2005**	31	-

* Includes both IBEW and Management employees
** Includes CEP employees

Benefits

The following describes the various types of severance benefits payable on retirement, termination or death for all Participants under the Plan:

a) Pre-1996 severance pay credits are benefits provided to IBEW and Management employees for company service time prior to January 1, 1996.

b) Post-1995 severance pay credits are benefits provided to IBEW and Management employees for company service time after January 1, 1996.

c) Pre-2005 severance pay credits are benefits provided to CEP employees for company service time prior to February 1, 2005.

d) Post-2005 severance pay credits are benefits provided to CEP employees for company service time after February 1, 2005.

e) For those employees who voluntarily opted out of the Millennium Registered Retirement Savings Plan (MRRSP) due to insufficient RRSP contribution room, any eligible company service will be paid out under the provisions of the Plan document.

Each Participant receives 5 days per year of service at their hourly rate of pay in effect at retirement, termination or death based on the number of hours worked per day.

Upon termination of active service, Participants elect how severance benefits are to be paid. In the event of termination of service, SaskPower, on behalf of the Plan, may pay a Participant's severance benefits in a lump sum. However, in no circumstances shall benefits under this Plan be paid over a period exceeding 5 years.

2. Significant Accounting Policies

These financial statements were prepared in accordance with Canadian generally accepted accounting principles.

The accrued benefits obligation and cost of severance benefits are determined using the projected benefit method pro rated on service.

3. Accrued Benefits Obligation

The accrued benefits obligation of the Plan is receivable from SaskPower and will be funded by SaskPower as participants begin receiving their benefits. The present value of the accrued benefits obligation was determined using the projected benefits method prorated on service and the best estimate assumptions of SaskPower's management. Actuarial gains (losses) result from actual experience differing from that expected and are recognized as an increase or decrease in accrued benefit obligations in the statement of changes in accrued benefits obligation.

An actuarial valuation was performed by Aon Consulting Inc. (Aon) as at September 30th for both 2005 and 2006 to determine the actuarial present value of the accrued benefits obligation and is extrapolated by Aon to December 31st of each year.

The accrued benefits obligation is based on many assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The significant long-term actuarial assumptions adopted in measuring SaskPower's accrued benefits obligation at December 31 are:

	2006	**2005**
Discount rate, beginning of year	**4.25%**	4.50%
Discount rate, end of year	**4.50%**	4.25%
Promotional Earnings Increases (Management)	**1.40%**	1.40%
Promotional Earnings Increases (IBEW and CEP)	**0.70%**	0.70%
Termination Rate	**0.90%**	0.90%
Long-term rate of compensation increases	**3.50%**	3.50%
Remaining service life – Pre-1996 (years)	**8.90**	9.80
Remaining service life – Post-1995 (years)	**23.00**	22.30
Remaining service life – CEP (years)	**13.40**	14.00

The actuarial present value of the accrued benefits obligation is long-term in nature and there is no market for settling this obligation. Therefore, determination of the fair value is not practicable.

If the discount rate was increased by 1%, the impact would be a 6.1% decrease to the accrued benefits obligation at December 31, 2006. Conversely, if the long-term rate of compensation was increased by 1%, the impact would be a 6.9% increase to the accrued benefits obligation at December 31, 2006.

4. Related Parties

SaskPower and PEBA are related by virtue of common control by the Government of Saskatchewan.

The Plan has received the use of office space and administrative services from SaskPower at no charge. Additionally, PEBA provides administrative services to the Plan for an administration fee which is paid by SaskPower.